

ORDER NO. 744

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman;
Dan G. Blair;
Tony L. Hammond; and
Nanci E. Langley

Analytical Principles in Periodic Reporting
(Proposal One)

Docket No. RM2011-9

ORDER CONCERNING ANALYTICAL
PRINCIPLES USED IN PERIODIC REPORTING
(PROPOSAL ONE)

(Issued June 9, 2011)

I. INTRODUCTION

In Order No. 203, the Commission adopted periodic reporting rules pursuant to 39 U.S.C. 3652.¹ Those rules require the Postal Service to obtain advance approval, in a notice and comment proceeding under 5 U.S.C. 553, whenever it seeks to change the analytical principles that it applies in preparing its periodic reports to the Commission required by section 3652.

¹ Docket No. RM2008-4, Notice of Final Rule Prescribing Form and Content of Periodic Reports, April 16, 2009 (Order No. 203).

On April 6, 2011, the Postal Service filed a petition pursuant to 39 CFR 3050.11 to initiate an informal rulemaking proceeding to consider a change to the analytical methods approved for use in periodic reports regarding attribution of costs for Fee Group E Post Office Boxes (Group E).² Under Proposal One, Group E attributable costs would be treated as institutional rather than as part of the attributable costs of Post Office Box Service. *Id.* at 1. Thus, under the proposal, Group E costs would be paid for by all mailers, not just post office box holders. *Id.*, Proposal One at 1.

The Postal Service asserts that its aim is to achieve more equitable financing of Group E. It notes that the proposal has no impact on the methodology for the calculation of Group E costs. Petition at 1. In addition, it maintains that the methodology remains the same as used in Docket Nos. ACR2010 and MC2010-20. *Id.*, Proposal One at 1.

The Commission approves the changes in the analytical methods proposed.

II. PROPOSAL ONE—CHANGE IN THE TREATMENT OF GROUP E POST OFFICE BOX ATTRIBUTABLE COSTS

The Postal Service's proposal sets forth a methodology change for the treatment of Group E attributable costs. The Postal Service explains that Group E is made available for the purpose of addressing possible discrimination issues arising from instances in which it may or may not provide customers with a carrier delivery option. *Id.* The Postal Service supports this policy by setting the fee for all Group E sizes at \$0. *Id.* Thus, use of Group E service implements the Postal Service policy of allowing all customers one form of free delivery. *Id.*

In Docket No. MC96-3, the Postal Service proposed modifications to its Special Services.³ In reviewing the Postal Service's proposal regarding Post Office Box Service

² Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal One), April 6, 2011 (Petition).

³ See Docket No. MC96-3, Opinion and Recommended Decision, April 2, 1997.

and the Postal Service's policy for those customers ineligible for carrier delivery, the Commission found "it equitable to offer one post office box at no charge to any customer ineligible for carrier delivery." *Id.* at 62. The Postal Service states that currently the costs associated with Group E, primarily facility-related costs (e.g., rents, building depreciation, custodial, utilities), are included in the total attributable costs of Post Office Box Service. It states that this treatment unfairly shifts costs incurred by the Postal Service to meet its universal service obligation to all other Post Office Box Service customers. Proposal One 1 at 1.

The Postal Service asserts that Proposal One represents a more equitable way to finance Group E by treating space-related (and other) costs associated with Group E as institutional. *Id.* It asserts that under this proposal, Group E costs would be paid for by all mailers and not other box holders alone. The Postal Service states that Proposal One has no effect on how Group E costs are calculated, and that the methodology is the same as used in Docket Nos. ACR2010 and MC2010-20. *Id.*

III. COMMENTS

Comments were filed by the Public Representative.⁴ No other interested person submitted comments. The Public Representative states that Proposal One is a logical extension of the Postal Service's policy approved by the Commission of offering Post Office Box Service at no charge to customers whose physical address does not receive any form of carrier service. *Id.* at 2. The Public Representative supports the Postal Service's proposal and states that Proposal One corrects the inequity of Group E attributable costs being borne solely by other post office box holders. *Id.* at 2-3. Further, the Public Representative states that the proposed treatment of attributable costs as institutional is consistent with the Commission's findings in Docket No. R90-1.⁵

⁴ Public Representative's Comments in Response to Order No. 713, May 9, 2011 (PR Comments).

⁵ See Docket No. R90-1, Opinion and Further Recommended Decision, May 24, 1991.

In that case, the Commission found that costs associated with intra-Alaska air transportation that exceeded nationwide average costs of highway transportation stemmed from the Postal Service's universal service obligation and not nonpreferential mail volumes and therefore, the costs should be treated as institutional. *Id.* at 3. The Public Representative recommends approval of Proposal One.

IV. COMMISSION ANALYSIS

The Commission approves Proposal One. The Commission finds that treating Group E attributable costs as institutional represents a more equitable distribution of the costs of universal service. As the Public Representative points out (PR Comments at 2), this treatment is analogous to and consistent with the treatment of intra-Alaska air transportation costs.⁶

The change will not have an appreciable effect on prices for any other product or service. If the proposed change in analytical principles had been in effect for FY 2010, Post Office Box Service attributable costs would have been reduced by \$38.4 million, resulting in a cost coverage of approximately 130 percent.

It is ordered:

For purposes of periodic reporting, the Commission accepts the changes in analytical principles proposed by the Postal Service in Proposal One in Docket No. RM2011-9.

By the Commission.

Shoshana M. Grove
Secretary

⁶ See Docket No. R90-1, Opinion and Recommended Decision, January 4, 1991, at III-194-95.